

## 2017-2018 BUDGET QUESTION

### *Response to Request for Information*

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**DEPARTMENT:** Financial Services – Budget

**REQUEST NO.:** 169

**REQUESTED BY:** Troxclair

**DATE REQUESTED:** 9/5/17

**DATE POSTED:** 9/8/17

**REQUEST:** For the major enterprise departments (Austin Energy, Austin Water, Austin Resource Recovery, Convention Center, and Watershed Protection) are all the proposed reserve levels for FY 2018 in compliance with the financial policies? If so, how much above, both as a percentage and dollars, are each of the proposed reserve levels?

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**RESPONSE:** The table below details the level of compliance for the requested departments which have a financial policy governing their reserve levels.

Department	Compliant with Reserve Level Financial Policy?	Amount Above/Below Compliance	Percentage Above/Below Compliance
Austin Energy Capital Reserve (Policy 15)	No	(\$36.0M)	(46%)
Austin Energy Contingency Reserve (Policy 16)	Yes	\$1.7M	1.8%
Austin Energy Power Supply Stabilization Reserve (Policy 22)	No	(\$5.9M)	(6%)
Non-nuclear Decommissioning (Policy 21)	Yes	TBD	TBD
Austin Water-Operating	Yes	\$130,853,541	320%
Austin Water-Revenue Stability	Yes	\$2,910,650	6.6%
Austin Resource Recovery	No	(\$251,838)	(4%)
Convention Center	Yes	\$0	0%
Watershed Protection	Yes	\$3,847,822	80%

#### Austin Water

Austin Water (AW) maintains cash reserves as two separate categories: operating cash reserves and the Revenue Stability Reserve Fund. AW's Financial Policy target operating cash reserve level is a minimum cash equivalent of 60 days of operating requirements.

AW recognizes the importance of strong Financial Policies and expects to recommend changes to strengthen our Financial Policy reserve targets after the conclusion of the Impartial Hearing Examiner Process, similar to the changes Austin Energy implemented following their Impartial Hearing Examiner process. The current Financial Policy target of 60 days of operating reserves is inadequate to support the Utility given the potential for weather related revenue volatility.

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Austin Energy

Of Austin Energy's four different types of reserves, Capital reserve, Contingency Reserve, Power Supply Stabilization reserve and Non-nuclear Decommissioning, only the Contingency reserve is fully funded according to Austin Energy's financial policies. In the FY 2017-18 Budget, the Capital reserve will be \$36.0 million or 46% below financial policy target and the Power Supply Stabilization reserve will be \$5.9 million or 6% below policy target. The Non-nuclear decommissioning reserve has a yet to be determined target as a decommissioning study will need to be done to determine the funding need for the decommissioning of the gas generation plants Decker and Sand Hill Energy Center as well as the coal generated Fayette Power Project.